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Fed. Viles
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11/11 REF 2 IRC. 15 10A 10 U/MSA-1 E-6

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1. "People's Shares" in Ex-German Chemical Plant

State Secretary Withalm of the Finance Ministry has announced that the first issue of "people's shares" in a government-owned industrial enterprise will be placed on the market in February 1958. Shares, modelled somewhat after those of the two large nationalized banks successfully issued early in 1957, will represent 28 percent of the nominal AS 5 million capitalization of HIAG, a former "German asset" producing chemicals in a Vienna suburb. The balance of the shares is to be sold to an individual or group expected to assume active control.

While the bank shares offered to the public were non-voting, the new "people's shares" will carry voting rights which will ensure (minority) representation on the board of directors. As with the bank shares, a preferred dividend is fixed at 6 percent, with any missed dividend given a prior claim to profits of the succeeding two years.

Withalm stated that the issuance of similar shares in other former German enterprises is planned for the future. (UNCLASSIFIED)

2. Trade Agreements with Bloc Countries Extended

The Austrian Foreign Office announced that the Austro-Czech trade quota lists established for 1957 will remain in effect during 1958. In accordance with the 1957 protocol--which provided for a volume of trade of \$22-23 million in each direction--the goods lists were extended automatically for one year, since neither of the parties to the agreement had requested a revision. An Austro-Czech joint commission is to meet in January to discuss details.

Die Presse on December 20 reported that negotiations in Berlin between representatives of the Austrian Chamber of Commerce and the East German Chamber of Foreign Trade resulted in the prolongation for one year of the existing trade agreement. The 1957 goods lists which established quotas amounting to \$19.5 million in each direction remain unchanged. (UNCLASSIFIED)

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3. American Express Company Banking License

Acting upon the company's application, the Finance Ministry has issued a license permitting American Express Co. branches in Vienna, Salzburg and Innsbruck to engage in "any and all" transactions normally performed by private banks in Austria, subject to certain restrictions. The license does not permit American Express to accept deposits for savings accounts or for bank certificates (equivalent to negotiable promissory notes); nor does it permit the issuance of mortgage debentures, bonds and other obligations. (UNCLASSIFIED)

Comment: The Embassy believes that knowledge of the action taken by the Austrian authorities could have a salutary effect on other American investors considering investment in Austria. It appears that American Express has not been singled out by the restriction on issuance of mortgage debentures, bonds and other obligations since the issuance of such obligations is subject to governmental license. The local Manager of American Express stated that the company had not intended to engage in such operations. (OFFICIAL USE ONLY)

4. IBRD Visitors

IBRD Vice-President Knapp and Technical Director Demuth are expected to arrive in Vienna January 7, 1958 to discuss the Bank's activities in Austria. Concurrently a four-man IBRD team is slated to confer on details of the proposed loan of approximately \$10 million for Austrian private industry. (UNCLASSIFIED)

For the Charge d'Affaires a.i.

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